HEUBLEIN, INC. 1971 ANNUAL REPORT

HEUBLEIN INC.

THE YEAR IN BRIEF

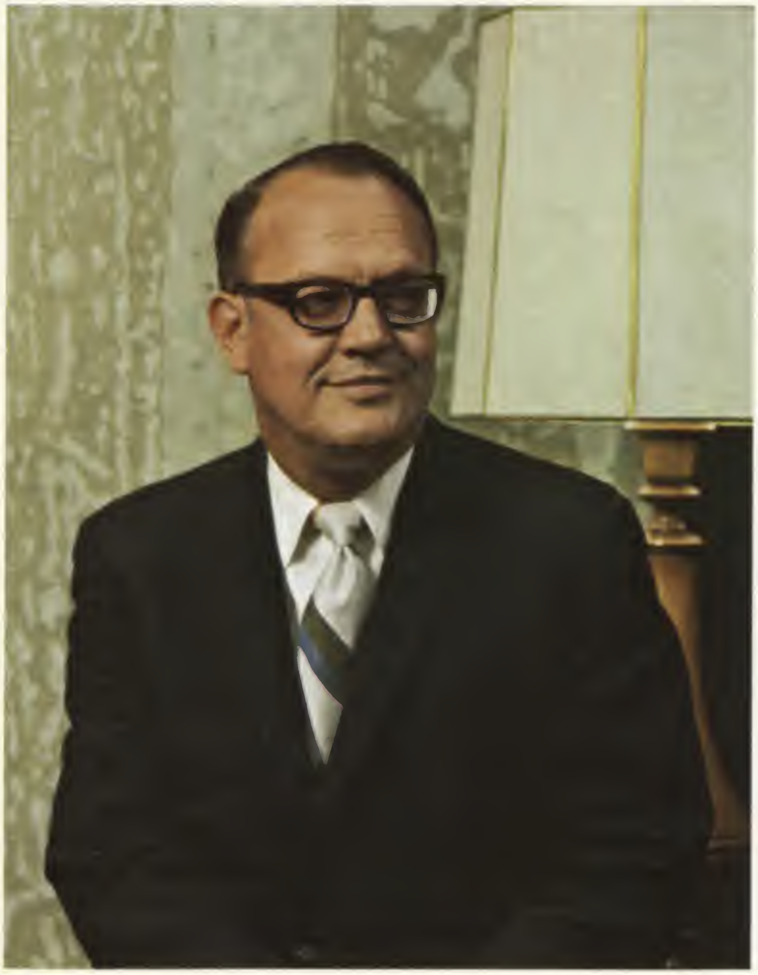
Years Ended June 30	**1971**	1970
Net sales	**$629,845,000**	$586,295,000
Income before provision for income taxes	**41,241,000**	38,004,000
Income taxes – federal and state	**21,033,000**	20,559,000
Net income	**20,208,000**	17,445,000
Earnings per share and common equivalent	**1.65**	1.45
Earnings per share assuming full dilution	**1.55**	1.35
Cash dividends declared per common share	**.84**	.79
Working capital	**76,741,000**	82,950,000
Total stockholders' equity	**104,515,000**	96,203,000
Stockholders' equity – per common share	**5.99**	4.60
Number of common shareholders	**16,702**	16,323

LETTER TO SHAREHOLDERS

Growth in every major area of our business – in sales and earnings, in markets here and abroad, in production facilities, and in management resources – marked Heublein's 1970-71 fiscal year.

Among the highlights were:

- A 7 per cent increase in sales and a 15 per cent increase in net earnings, making this the 11th consecutive year of record gains.
- The merger with Kentucky Fried Chicken Corporation, which gives us a strong position in the expanding fast-foods market.
- The successful marketing of new products, which we developed or acquired. Nearly 40 per cent of United Vintners' sales and 25 per cent of the sales of Smirnoff Beverage and Import Co. came from products added in the last five years.
- Completion of a new champagne plant, a new bottle-making plant, a new can plant and expansion of the corporate research facilities, representing a record outlay of capital.



As this activity indicates, there is a new level of thrust in our organization attributable, largely, to the successful decentralization of responsibilities to our operating divisions. The initial move in this direction was made three years ago. By year-end we took a further step by combining our major operating divisions into three groups, headed by group vice-presidents, a newly-created post in our company.

Our distilled spirits company, Smirnoff Beverage and Import, was joined with Theodore Hamm breweries in a group headed by Christopher W. Carriuolo, formerly head of the Smirnoff Company.

Kentucky Fried Chicken and the Consumer Products Division were grouped under the direction of Barry Rowles, formerly head of Hamm's.

An international group, handling

the overseas business of all the operating divisions, is headed by Paul Dohl, formerly vice-president and general counsel.

Corporate staff services for finance, legal, data processing and personnel and industrial relations are under the direction of Edward L. Hennessy, senior vice president. George Caspar, secretary of the company, succeeded Dohl as general counsel.

This new organization puts greater management responsibility at the operating level, and enables the operating units to capitalize on opportunities in their respective areas as readily as they occur.

The Kentucky Fried Chicken merger, virtually complete by year's end, and officially approved by shareholders of both companies on July 8, provides immediate new dimensions and promising prospects for our company. Besides the additional $200 million in revenues and the anticipated higher earnings, some 3,000 new employees and 13,000 new shareholders were welcomed into Heublein. Management and marketing strengths were added to KFC's operations to help it attain its immediate goals and to plan its future.

Noteworthy in the year's results is the continued upward climb of our overseas business through increased sales of Smirnoff licensees and direct exports.

With all world-wide trade moving ahead at an impressive 11 per cent per year, attractive consumer markets are developing for our products in Western Europe, Japan, Canada and South Africa. The shift to a more enjoyable life style, readily apparent among U.S. consumers, is equally discernible in most other world markets.

On the strength of the demonstrated appeal of light and flavorful alcoholic beverages for more and more consumers, we successfully introduced a number of attractive new products this year. They included a Portuguese white wine called Vinho Branco that is a counterpart to our popular Lancers Rosé; the popular Cold Duck, a blend of sparkling burgundy and champagne, which we added to our Club line of canned cocktails, and a cinnamon-flavored apple wine called Zapple.

Departing from our practice of marketing only traditional cocktails such as martinis and sours, we created a drink called the Brass Monkey from an exclusive formula, and the initial response from consumers has been most encouraging.

Similarly, Theodore Hamm broke with tradition in the beer business by producing a light, flavorful sparkling malt beverage called Right Time.

So the emphasis in this year's marketing has been on fresh, new and different ideas.

Meanwhile, sales of established products, such as Smirnoff, A.1. Sauce, Lancers, Harveys Bristol Cream, and Arrow Cordials, continue to improve with time. Smirnoff's growth of 9 per cent was more than four times that of the entire U.S. distilled spirits industry this year. Again, it was primarily creative advertising and selling that distinguished this performance.

A new champagne plant, and a new glass container plant built on the site of our Madera, California winery, have made this one of the largest and most modern industrial complexes of its kind in the world. The bottle plant, jointly owned with Indian Head Inc., provides for most of Madera's annual wine production. A similar cooperative-venture can plant, built and operated by Continental Can Co., gives Hamm's its own supply of steel cans. Our total capital outlay for the year was a record $15 million.

With world markets growing at a healthy rate, and an almost universal consumer preference for light, flavorful foods and drinks that can be easily served, we believe we are in a position to make the most of our expanding opportunities. We have the necessary management resources, the creative marketing skills and newly-expanded production facilities.

The year's success is the result of generally good personal performances, backed by the unstinting support and encouragement of the board of directors and its executive committee. We are grateful to the people throughout our company, to our shareholders, and to our agencies and suppliers, who helped make this another record year.

Stuart D. Watson

President and Chief Executive Officer

Spending for leisure time activities in America, amounting to some $130 billion a year, is expected to increase as life style adapts to Monday holidays and the four-day work week.

The Smirnoff Beverage and Import Co. (SBIC) is Heublein's largest and most profitable division. Formerly the Spirits and Wine Division, its new name aptly describes its growing strength as a major U.S. supplier of domestic and imported liquors, cordials and wines.

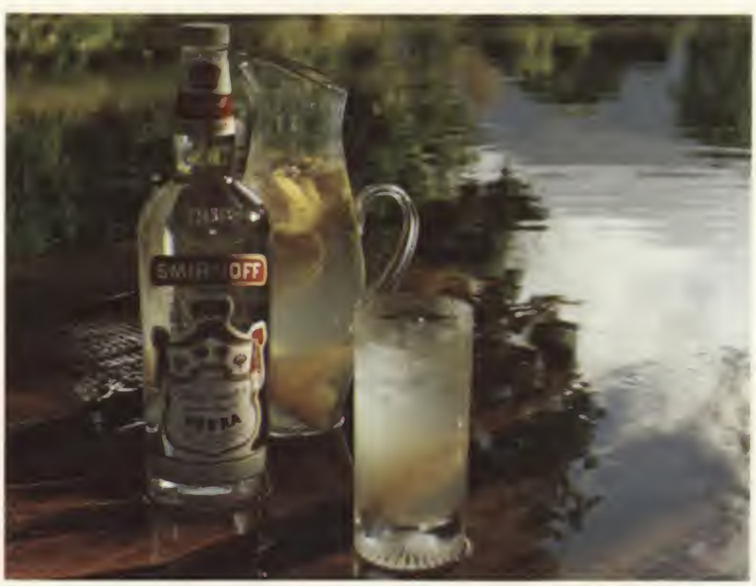
SBIC sales outpaced the growth rate of the entire U.S. spirits industry in fiscal year 1971. It achieved new records in both case sales and dollar volume. Substantial sales gains were made by its major brands; product lines were expanded, and several new products were successfully introduced.

Smirnoff, the nation's leading vodka and fourth largest of all U.S. liquor brands, again showed remarkable capacity for growth. Its case sales in this country increased nine per cent – to approximately 3.7 million cases – compared to a two per cent growth rate for all spirits sales in the U.S. Smirnoff was the only one of the nation's six leading liquor brands to show such substantial growth.

In Southern California, where Smirnoff first became popular, a Smirnoff milestone was reached. Total sales, since its introduction there, topped the 5 million case mark.

Behind the year's record success was a series of timely, imaginative promotions and advertising campaigns.

One was an updated version of the popular Moscow Mule drink, which launched Smirnoff as a major brand more than 20 years ago. Other successful promotions put strong merchandising and advertising drive behind a football brunch theme; Smirnoff as a Christmas gift; the Smirnoff Hawkshot, a cold weather drink made with hot beef bouillon; Smirnoff on the Rocks, and the Summer Martini.



Smirnoff advertising, recognized for its innovative approaches, broke new ground with a series of realistic ads depicting the trend-setting life style of young adults, who comprise a major share of Smirnoff consumers. Other Smirnoff advertising used novel approaches to the expanding ethnic markets, with notable sales results.

New packaging was another element in the Smirnoff success story. Sales of Smirnoff in the half-gallon size increased 60 per cent following introduction of a stylish new bottle featuring a built-in handle for easy pouring.

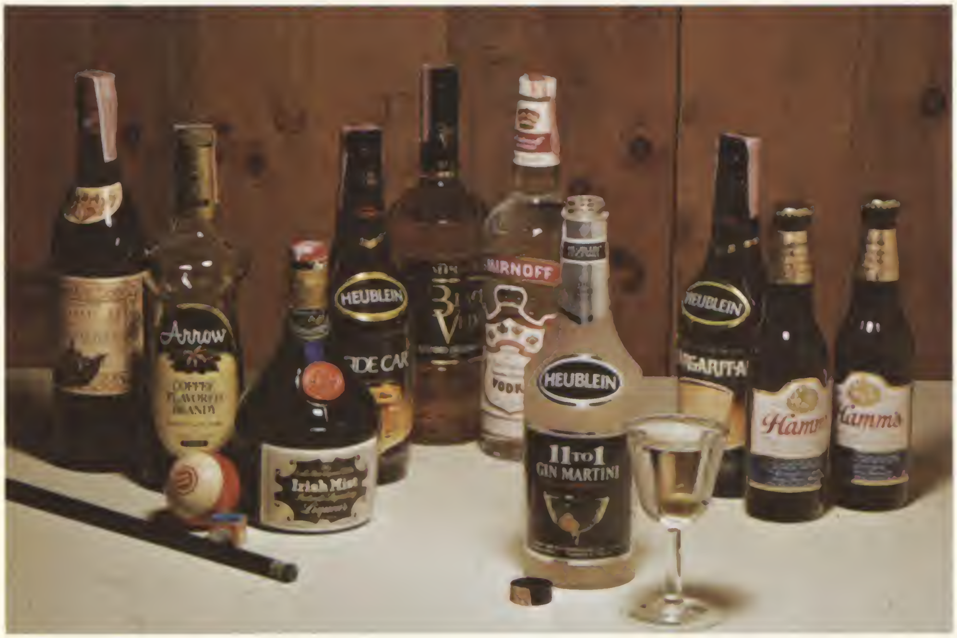
Popov and Relska, Heublein's other major vodka brands, also recorded substantial sales gains. Popov, bidding to become the third-largest-selling vodka in the U.S., was aided by expansion of its award-winning "Mama Loves Popov" ad campaign, and a number of new drink promotions. Relska sales increased nearly 15 per cent and showed promise for sizable growth.

Smirnoff Silver, a new 90.4 proof vodka made especially for martini drinkers, was test-marketed in four key areas with good results. It will be introduced in all major domestic markets this Fall.

Despite vigorous competition, Heublein remains the world's leading vodka marketer, with total annual sales approaching seven million cases.

SBIC also handles some of the nation's leading imported and domestic wines. Lancers Vin Rosé, the nation's best-selling premium wine, marked its sixth year of steady sales increases, aided this year by a $2 million advertising campaign. A recent nationwide survey showed that people dining in restaurants ask for Lancers two-to-one over any other wine.

Based on the remarkable strength of the Lancers brand name, a delightful white wine from the North of Portugal, called Lancers Vinho Branco, was introduced nationwide to complement Lancers Vin Rosé. Lighter and more fruity than the rosé, Vinho Branco has done well right from the start of its market introduction in March.



Billiards and bars are natural go-togethers in home recreation rooms. The number of billiards players more than quadrupled in the last decade.

Lancers Vin Rosé was introduced in two new sizes, a 6.4-ounce sampler and a 51.2-ounce magnum, the latter offered only in selected markets. The new sizes are expected to increase the sales volume of this versatile rosé wine.

Harveys Bristol Cream, the nation's leading imported sherry, had a sales increase of 20 per cent this year, spurred by extensive TV advertising. In the 11 years Heublein has handled its U.S. marketing, Harveys Bristol Cream sales have quadrupled.

Advertising that promotes Bristol Cream as a gift at Christmas and for other special occasions has been highly productive. Again, with this product as with others, a wider choice of package sizes helped to increase sales. While the standard 25-ounce bottle remains the most popular size, the 37.5-ounce magnum and the new Gold Foil two-ounce miniature have helped to broaden the over-all appeal.

In prepared cocktails, where the Heublein name has been dominant for more than 75 years, the year's big news was the introduction of a completely new and different Heublein cocktail called the Brass Monkey.

Unlike other prepared cocktails, which are based on traditional drinks familiar to consumers, the Brass Monkey uses a secret Heublein formula to produce an entirely new taste experience.

Tastings were conducted in several major markets to give consumers a chance to sample the new cocktail. Reports indicate that 60 per cent of those who sampled the Brass Monkey became purchasers, an unusually high percentage for a new product. Brass Monkey sales in the first two months exceeded projections by 100 per cent.

The introductory promotion campaign for the Brass Monkey featured some highly imaginative advertising and merchandising, including a "talking monkey" display. The resultant widespread consumer interest in the Brass Monkey helped boost sales of Heublein's entire prepared cocktail line, numbering 19 different types of drinks. Packaging for the complete full-strength cocktail line was re-designed to create greater consumer appeal.

Club Cocktails, Heublein's popular line of moderate-proof drinks in convenient eight-ounce, pop-top cans, continued to gain consumer acceptance. Shipments increased 18 per cent over the previous year.

Two new flavors were added to the Club line, the Champagne Cocktail and Cold Duck, a very popular mixture of sparkling burgundy and champagne. Initial sales of both new flavors exceeded expectations.

The portability and convenience of Club Cocktails are major factors in their popularity with today's active, mobile consumers, and this theme is emphasized in the brand's extensive advertising on TV, in the press and on outdoor billboards. With their entry into the New York market this year, Club Cocktails are now available in all 50 states.

Canadian Black Velvet, Heublein's entry in the fast-growing Canadian whisky market, enjoyed an outstanding year. Sales totaled more than a half-million cases, an increase of approximately 40 per cent. This is the greatest percentage gain of any leading

Canadian whisky in the U.S.

Black Velvet advertising took full advantage of the brand's growing popularity, using the slogan, "America Tastes a Winner." Black Velvet's exceptional smoothness and quality were also key advertising themes. Distribution was steadily expanded, so that Black Velvet is now available in all major markets throughout the U.S.

Rum is another of the fastest-growing spirits in the U.S. and Heublein's Don Q is one of the leading brands. Much of its popularity comes from consumers in the


Inglenook

21 to 34 year age bracket, who have discovered that rum, distilled by today's modern methods, blends well with a variety of mixers.

Don Quixote, Cervantes' legendary literary hero, is the symbol of Don Q rum, and his likeness is featured in all its advertising and merchandising. As part of Don Q's promotion, hundreds of thousands of U.S. tourists in Puerto Rico each year are invited to sample the island's best-selling rum at a hospitality suite in Old San Juan, known as the Casa Don Q.

Another of the light, versatile drinks so characteristic of Heublein's products is Jose Cuervo, the nation's best-selling brand of tequila. Its sales increased more than 20 per cent this year. Together with Heublein's Matador brand, it accounts for more than half the total U.S. tequila market.

Heublein's Arrow Cordials had a sales increase of nearly eight per cent and moved closer to becoming the nation's largest-selling cordial brand. With the addition of a banana flavor, there are now 32 types of cordials, liqueurs and flavored spirits in the Arrow line.

One of the year's most successful promotions was built around the Sombrero, a new drink made with Arrow Coffee-Flavored Brandy and milk. Originated in Massachusetts, where it helped make Arrow Coffee-Flavored Brandy the largest-selling cordial in the state, the Sombrero is catching on in many other parts of the country.

Along with its top-name liquor brands and imported wines, SBIC also sells the wines of Beaulieu Vineyard, one of California's most prestigious premium wineries. Sales of BV wines increased by approximately 10 per cent, and once again the demand exceeded supply.

Beaulieu expanded its line by introducing Beaulieu Brandy, the first in a series of particularly commendable bottlings to be sold under the marque of "The Beaulieu Collection."

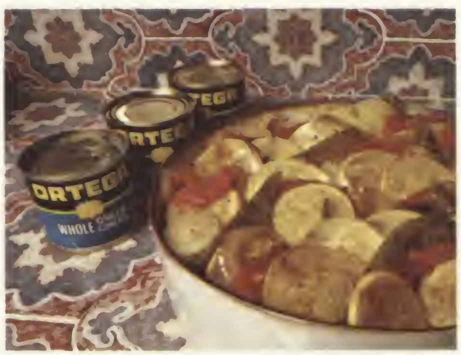
Two premium SBIC imports, Irish Mist Liqueur and Tullamore Dew Irish Whiskey, were up in sales for the year and outpaced the growth rates for similar products in their markets.

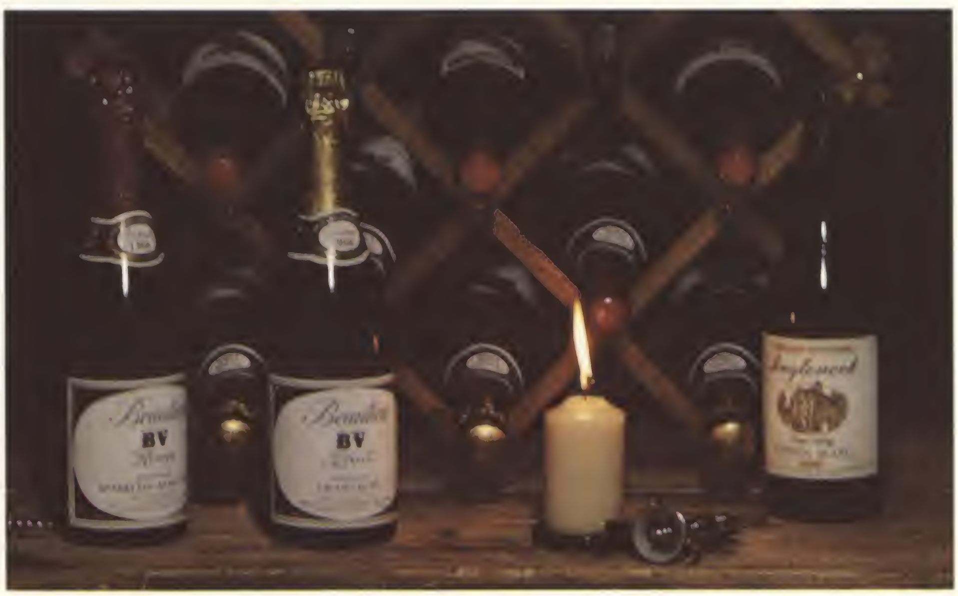
Again, in 1971, Heublein strengthened its position as a leading supplier to the nation's airlines. This outlet provides a valuable showcase for Heublein products before a highly influential group of consumers. Special drinks and promotions were created for several of the leading airlines. This helps provide entry for other Heublein products into this important market.

By 1980, almost a third of all U.S. personal income will go to people in the trend-setting 25 to 34 age bracket, who spend liberally for entertaining at home.

The Consumer Products Division (CPD), which produces and markets a variety of specialty foods, achieved another record year with a dollar sales increase of more than 12 per cent.

Sales of A.1. Sauce, the nation's best-selling meat sauce, and other products of the Division were bolstered by the growing numbers of homemakers who regard cooking as a creative outlet and are eager to try their skill in preparing tasty, imaginative new recipes.





Forty million Americans spend $2 billion a year on camping and related travel, and by 1975 the total will double.

A.1. sales climbed more than 14 per cent, as this premium product continued to increase its share of the growing meat sauce market.

Two exciting sweepstakes promotions for A.1. drew heavy consumer response: a "Wild Brunch" sweepstakes that offered a single cash prize of $10,000, and the "Steak Stakes," which offered 50 identical prizes of a full year's supply of steak for each winner.

A.1.'s annual barbecue promotion featured comedian Jonathan Winters in the "Great American Barbecue . . . made greater with A.1." The promotion included a special consumer offer of barbecue accessories in traditional red, white and blue colors.

A new 15-ounce barbecue-size A.1. Sauce package was introduced in the Southwest, and the larger size received a favorable response from both the trade and consumers.

Sales of Grey Poupon Dijon-style mustard increased by more than 30 per cent this year. This is particularly noteworthy because the total U.S. mustard market showed only minor growth.

In order to provide consumers with greater economy and convenience, the size of the Grey Poupon container was changed from five to eight ounces, a 60 per cent increase, with only a 40 per cent increase in the retail price.

A sales gain of almost eight per cent was realized by Snap-E-Tom, the Division's spicy tomato cocktail product. In the past five years, case sales of Snap-E-Tom have more than doubled. It is now CPD's second largest-selling brand, trailing only A.1. Sauce.

Once distributed mainly in California and the Southwest, Snap-E-Tom is now available in grocery stores throughout the area west of the Mississippi.

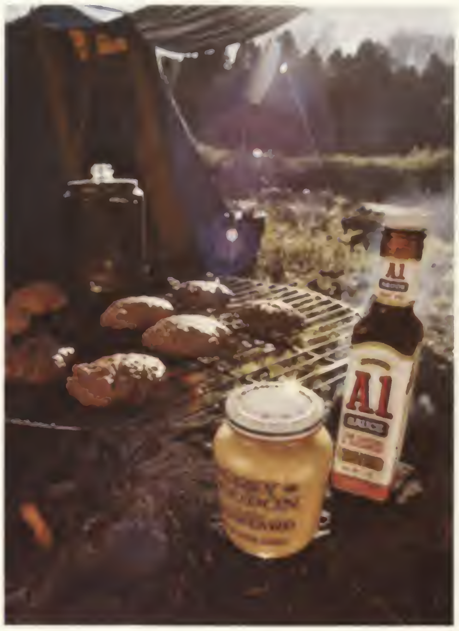
While most buyers drink Snap-E-Tom "straight," it also has caught on as a mix with vodka, gin, tequila and other alcoholic beverages. Several leading airlines and many bars now use it as a mix for Bloody Marys.

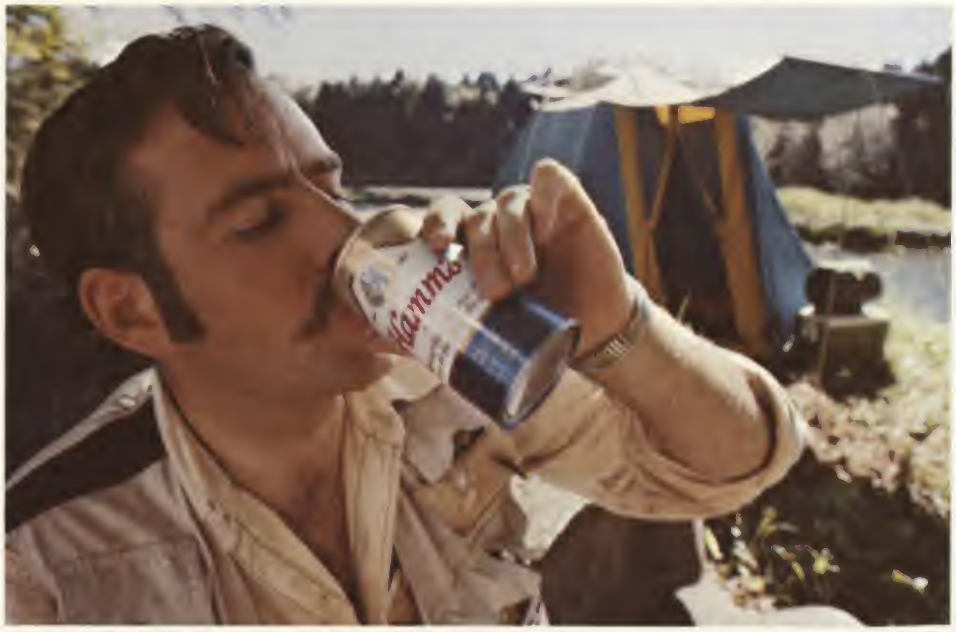
The Ortega line of chiles and sauces, distributed primarily in California and the Southwest, had a sales increase of more than seven per cent. Sales of Ortega's versatile Green Chile Salsa were up more than 20 per cent.

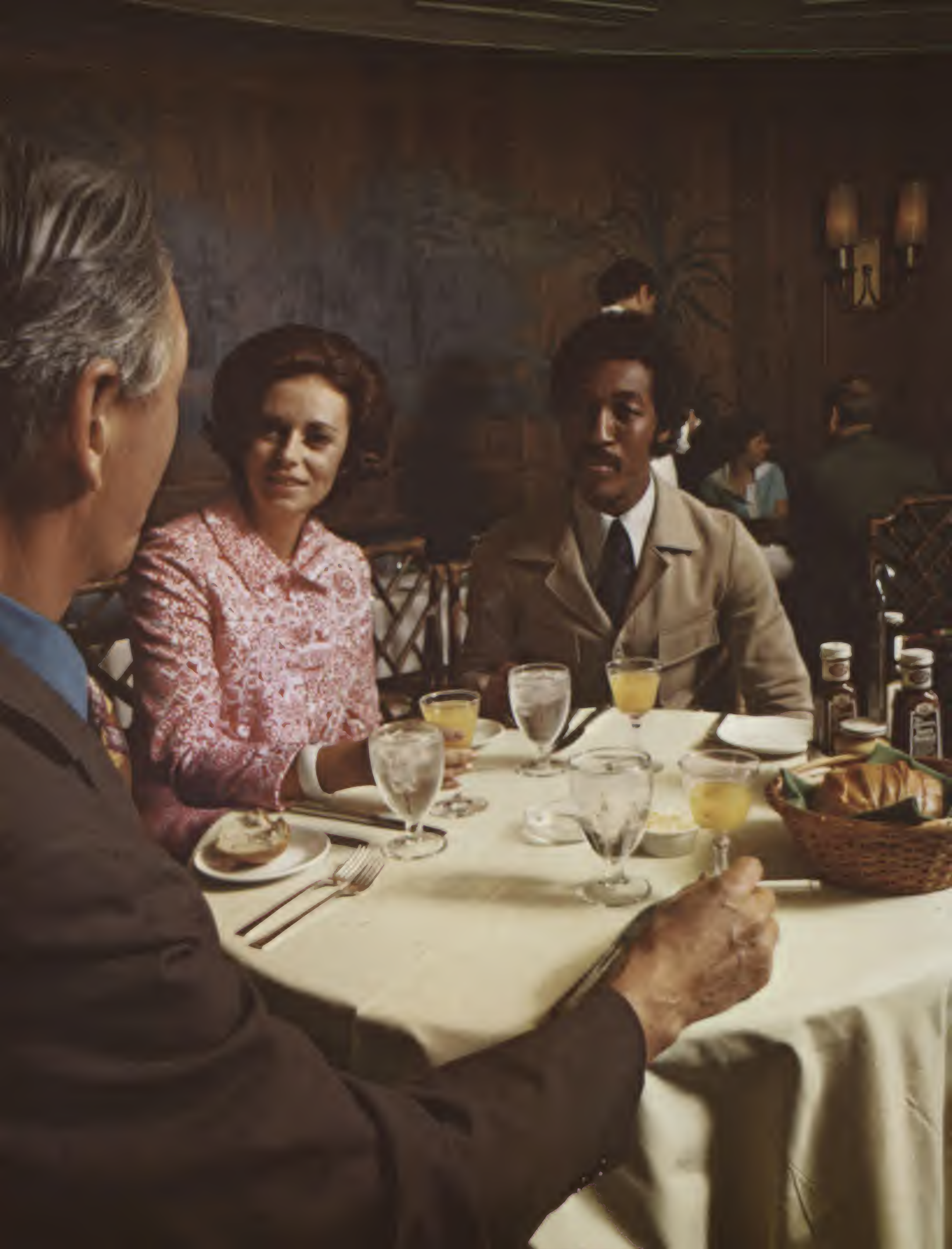
One of the year's most successful Ortega promotions was conducted jointly with Kraft Velveeta to promote Chile Con Queso (chile with cheese). Another was the Ortega Food Fiesta, a cook-off contest among graduates of 11 western and southwestern colleges and universities, using Ortega products in the preparation of original recipes. Judging of entries in the Food Fiesta took place in the leading market areas of Phoenix, Denver and Los Angeles, and generated extensive publicity in all three.

With Heublein's acquisition of Regina Grape Products Co., the division was assigned marketing responsibility for the Regina line of wine vinegar products. Regina already is a leading brand of wine vinegar nationally, and CPD began planning new marketing approaches to fully develop Regina's excellent growth potential.

CPD also conducted a broad program of research and taste-testing on several potential new products. One of these, Acapulco Hots, a chile-based hot dip mix which is added to cheese, was successfully introduced in test markets in Los Angeles and Syracuse. Well-received among the 18 to 45-year-old consumer target group, Acapulco Hots will be introduced in additional markets this year.







The Theodore Hamm Company showed a profitable year resulting in large part from expanded distribution of its premium and standard-priced beers, introduction of a new flavored malt beverage, and additions and improvements in its production facilities.

Despite intense competition, Hamm's had sales this year that rated it the nation's ninth-largest brewer. From breweries in St. Paul, Los Angeles and San Francisco, Hamm's expanded distribution beyond its traditional 28 Western states sales area into new Eastern markets.

These markets include Nashville, Tenn. and Toledo and Dayton, Ohio. On the basis of encouraging initial results, plans are being made for possible expansion into additional markets.

The year's performance was aided by a new advertising, merchandising and promotion campaign aimed at consumers whose per-capita consumption of beer is well above average. In tuneful television commercials, the campaign encouraged viewers to join "the big beer-drinking brotherhood of Hamm's." St. Paul's annual Winter Carnival and the big league Minnesota Twins and Vikings were featured in promotions aimed at sports fans, who are major consumers of Hamm's Beer.

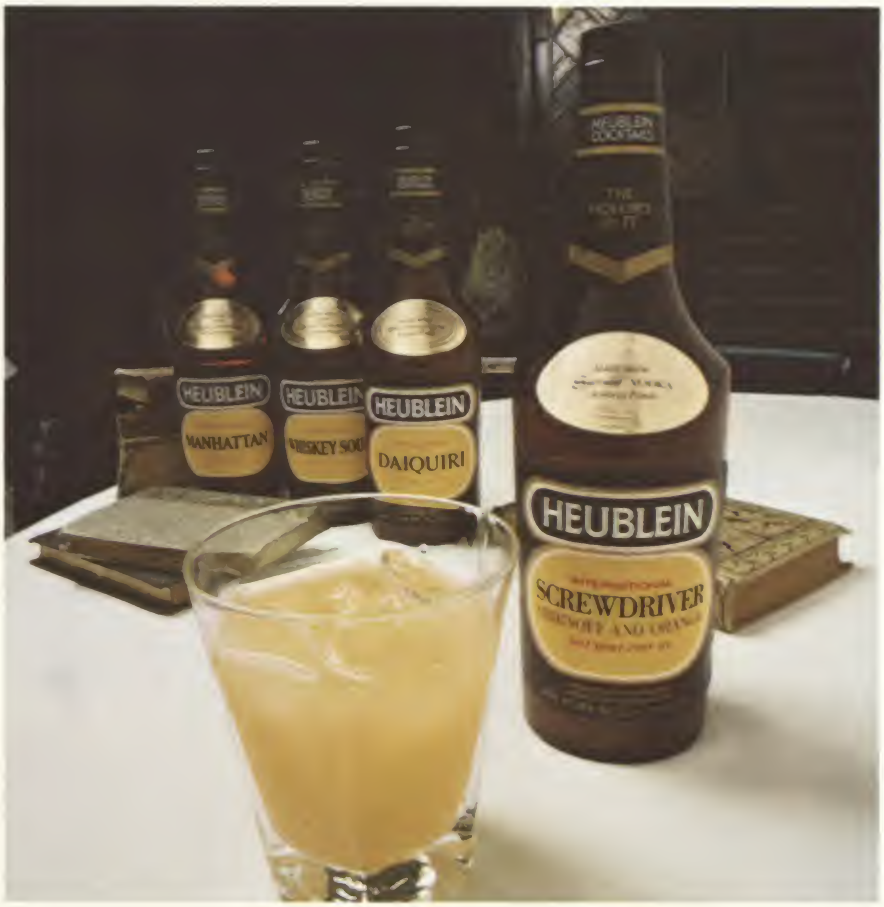
Detecting early signs of new taste preferences among young adults, Hamm's was one of the first to develop and introduce a new sparkling flavored malt beverage, which it called Right Time. Distributed throughout Hamm's 28-state market area and in additional Eastern markets, Right Time met with almost immediate favorable response.

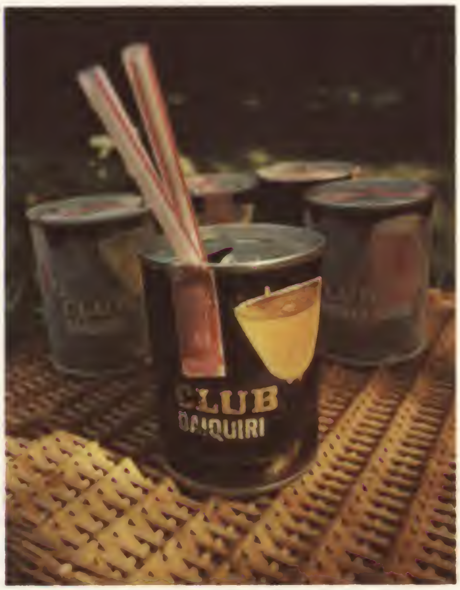
Right Time, which has a higher alcoholic content than beer but less than wine, is available in four flavors: Red (slightly sweet), Gold (slightly tart), Tropical and Apple. It is sold in four-pack carriers of 11- or 12-ounce bottles, with bright modern graphics. Hamm's plans the broadest possible national distribution for Right Time in the year ahead.

Major facilities expansions and improvements which contributed to Hamm's profitable year include a modern new can plant at St. Paul, which is now supplying all the cans needed at the brewery there. This plant is a cooperative venture of Hamm's and Continental Can Co.

The St. Paul brewery's efficiency was also increased by a new 9,300-square foot facility for washing, filling and palletizing draught beer kegs. Known as a racking room, it is completely automatic and is far more efficient than hand-operated rackers.

Nearly 150 million meals are served away from home each day in the U.S., accounting for $28 billion in yearly sales by commercial eating and drinking places.





Millions of Americans of all ages and economic levels spend some part of their leisure hours in home gardening.

One of the most significant trends in U.S. drinking habits in the past decade is the increasing consumption of wine – up from 156 million gallons in 1959 to more than 267 million gallons last year. By 1980, wine consumption in this country will approach 400 million gallons, almost three-quarters of which will be California wine, according to the Bank of America.

Reflecting this trend, Heublein's San Francisco-based wine company, **United Vintners, Inc.**, achieved a 16 per cent increase in dollar sales volume and a 14 per cent gain in case sales in fiscal year 1971.

Increases were recorded by most United Vintners' brands, but the largest gains were made by sparkling wines, particularly the Lejon and Jacques Bonet brands, which combined were up more than 50 per cent for the year.

Dry table wines, consumed mostly with meals, showed sales gains across the board. Standard-priced table wines, such as Italian Swiss Colony, registered a 14 per cent increase in case sales, while the premium Inglenook wines were up about 40 per cent.

Heublein's annual Premiere National Auction of Rare Wines, held this year in San Francisco, provided dramatic evidence of the increasing value that wine-lovers place on premium California wines, such as those from Inglenook and Beaulieu Vineyard.

A single mixed 12-bottle case of pre-1900 Inglenook wines brought a price of $5,000, while a case of 1934 Inglenook Cabernet Sauvignon brought $760.

As knowledgeable wine buyers point out, these prices place premium California wine at a level with some of the finest European vintages.

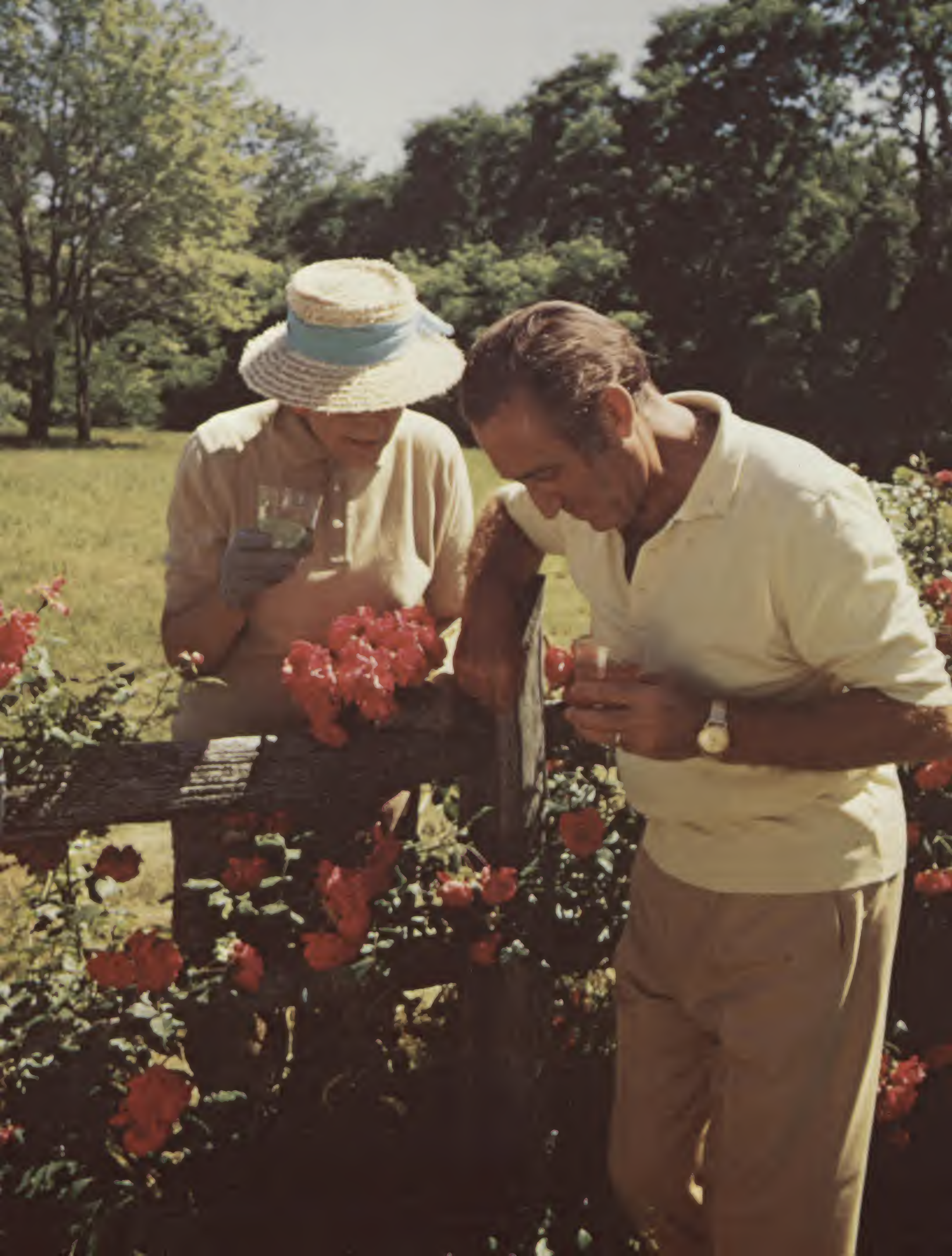
United Vintners also strengthened its position at the other end of the wine spectrum: the so-called "pop" wines that have accounted for a great share of the increase in U.S. wine consumption in recent years.

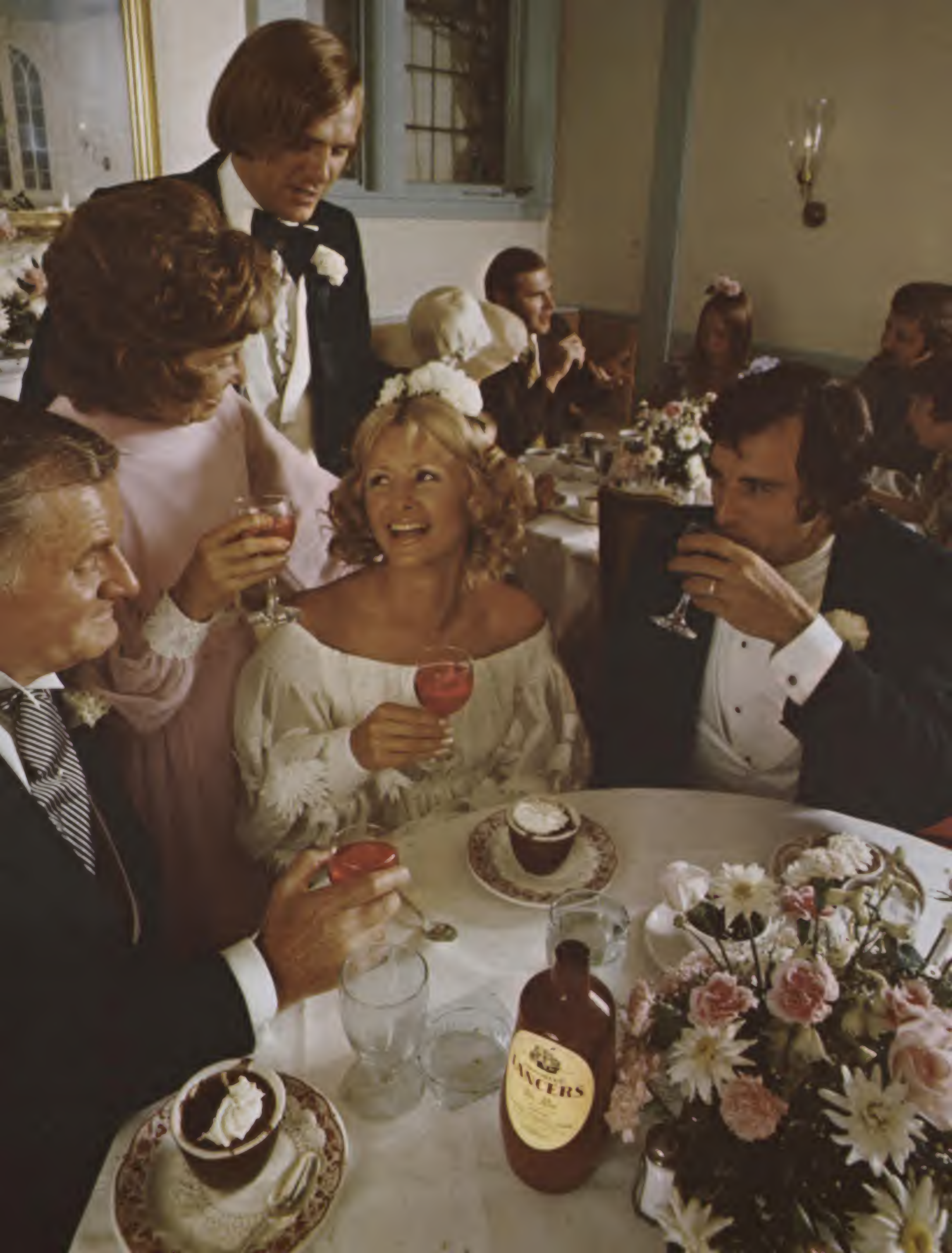
The company introduced several new "pop" wines, including one called Zapple, a cinnamon-flavored apple wine, and another called Key Largo, a citrus-flavored wine. Both have done well in the market and others are now being test-marketed.

These wines are designed to appeal primarily to young adults. A recent study by Heublein showed that per capita consumption of wine by those under 30 is almost double that of people 45 and older. Many young adults discover the pleasure of wine drinking with these "pop" wines, then move on to more traditional types of wine as their tastes become more sophisticated.

Inglenook's new line of "Navalle" wines, to be introduced this fall, is expected to have strong appeal for sophisticated wine buyers. Made of carefully selected grape varieties grown in Northern California, the Navalle wines include premium quality burgundy, chablis and rosé.

At Madera, site of United Vintners' largest winery, the new glass container plant, a joint venture with Indian Head Inc., came on stream ahead of schedule. This plant, featuring the most modern bottle-making equipment in the U.S., can produce the bulk of United Vintners' requirements.




LANCERS

United Vintners' over-all performance was aided by several cost-saving programs, such as adoption of a new inventory accounting system and an improved data processing system. Also, a significant number of low-volume, low-profit items were eliminated for greater efficiency.

New equipment and techniques were employed to upgrade United Vintners' product quality and to maintain it at a consistently high level. To convey this emphasis on quality to the consumer, new and more distinctive packaging was introduced for virtually the complete product line.

Smirnoff sales abroad, by **Heublein International Ltd.**, climbed to a record two million cases this year, with sharp increases in both licensee and export sales. Sales by 34 Smirnoff licensees overseas grew from 1.4 million to 1.7 million cases, an increase of more than 21 per cent.

Notable gains were recorded in several countries. In Denmark, Iran, Jamaica and the Netherlands, case sales were almost double those of the preceding year, while increases of more than 25 per cent were achieved in well-established markets such as the United Kingdom, South Africa and Ireland.

Heublein International, which handles marketing of Heublein spirits, wine, beer and food products in more than 100 countries, introduced a new line of cocktails in Europe and embarked on several other new marketing ventures.

Heublein International Cocktails, the line introduced in Europe, is a reformulation of Heublein's U.S. line. Produced in Belgium and marketed through Entreprises Heublein, S.A., Heublein's Belgian subsidiary, the new cocktails are available in four varieties – Manhattan, Daiquiri, Whiskey Sour and Screwdriver. Now sold in Belgium and the Netherlands, they are scheduled for introduction into other European markets.

Just as the formulas for the cocktails were revised to satisfy European tastes, the accompanying advertising, merchandising and promotion was developed especially for the European consumer. Often markedly different from U.S.-style advertising, the European campaigns have proved highly effective.

With surprisingly good results, United Vintners' California wines were introduced into new markets in the Western Hemisphere and Asia by Heublein International. The U.V. wines were well-received despite the traditional preference for selected European wines. With continued vigorous promotion, these fine California wines are expected to win further popularity overseas.

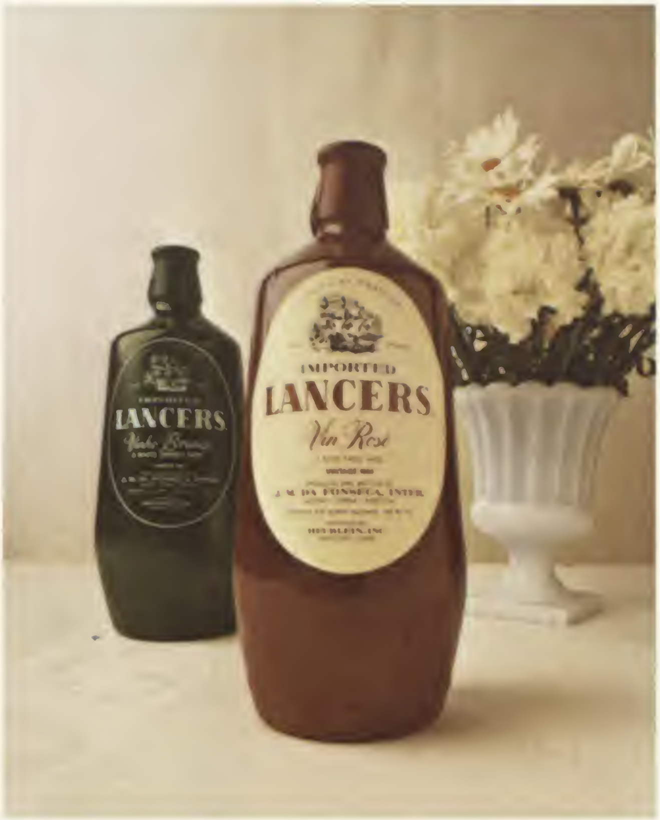
A joint marketing agreement was signed between Heublein International and J.M. da Fonseca, Heublein's long-term associate in Portugal, to handle worldwide marketing for the newly expanded Fonseca wineries. The agreement calls for Heublein International to handle Lancers Vin Rosé, Dao Terras Altas, Vinya and Faisca Vin Rosé and several other fine wines in world markets.

Heublein Japan, Ltd., a yen-based company, was activated to handle the distribution in Japan of J.M. da Fonseca and United Vintners wines and other alcoholic beverage products.

Growing interest in Heublein products abroad was reflected in the first International Smirnoff Conference, held this year in San Francisco for Smirnoff licensees and agents. More than 30 countries were represented.

The conference analyzed the concept of fashions in alcoholic beverage drinks and how this is implemented through marketing and promotion. The conference emphasized the versatility of Smirnoff and its adaptability to change. Based on the highly favorable reaction to the conference, Heublein International plans similar meetings in the future.

There were 2.2 million marriages in the U.S. in 1970, the most in the last 25 years, and a steady trek to the altar is projected.

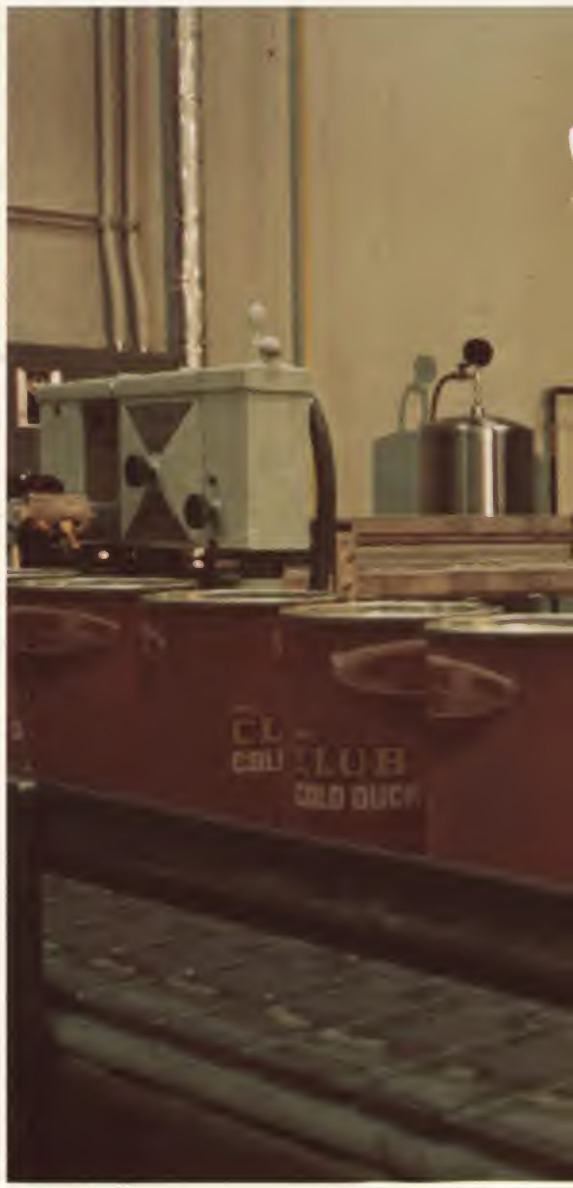


NEW FACILITIES IN U.S. AND ABROAD

With capital expenditures of almost $28 million in the past two years, including a record $15 million in the 1970-71 fiscal year, several major additions and improvements have been made in Heublein's production and research facilities in this country and abroad.

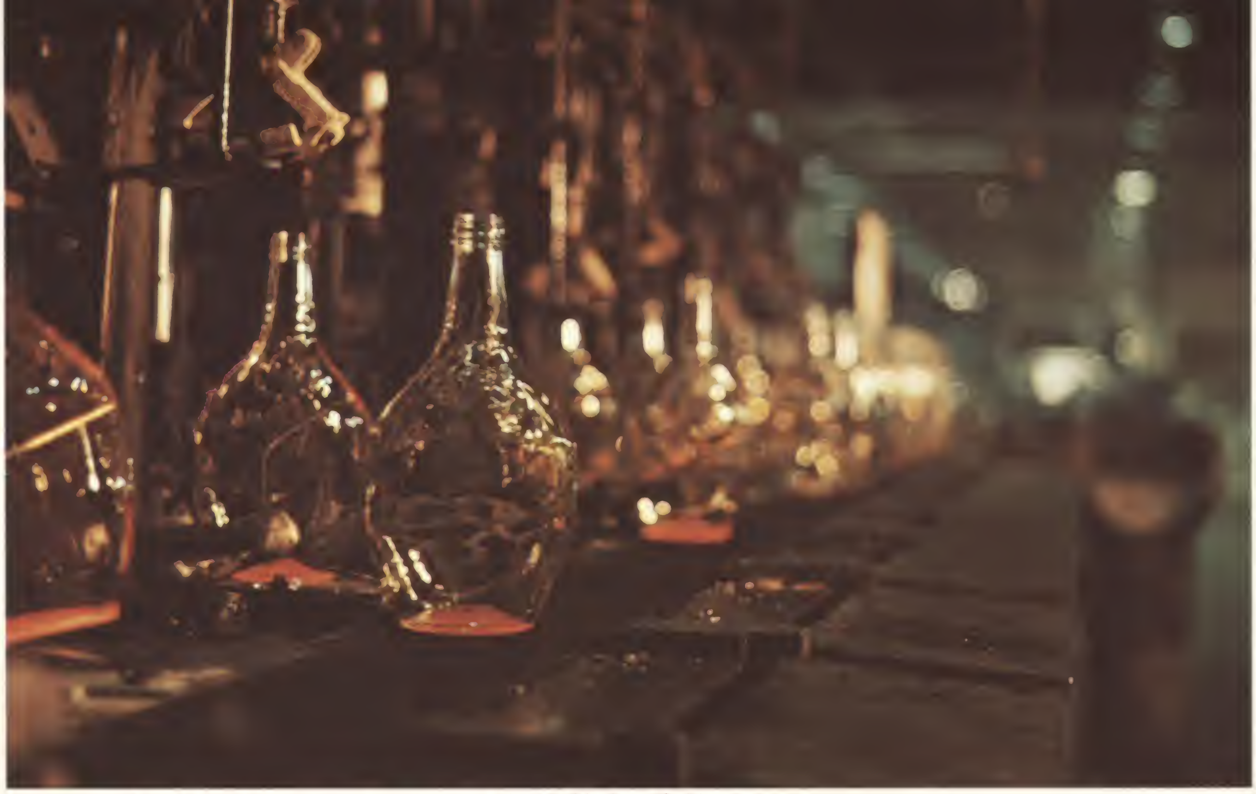
They include a new winery near Lisbon, Portugal, built in cooperation with our long-term associate there, J.M. da Fonseca, Inter. This winery doubles the capacity for production of Lancers Vin Rosé and other fine Portuguese wines and provides for doubling it again as needed.

Storage tanks at new Lancers winery in Portugal.



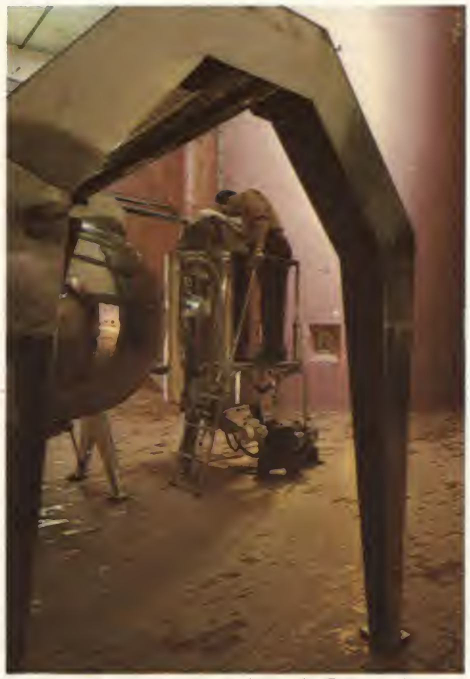
In Madera, Calif. a multi-million-dollar glass container plant came on stream ahead of schedule this year and is providing the bulk of United Vintners' bottle requirements. A joint venture with Indian Head Inc., this plant features the most modern bottle-making equipment in the U.S. The building has more than 325,000 square feet of floor space, including a warehouse with a capacity of 1.5 million cases of bottles.

The glass plant adjoins United Vintners' big winery in Madera, where a new addition expands by 50 per cent our capacity for producing champagnes and other sparkling wines, which are in growing demand.

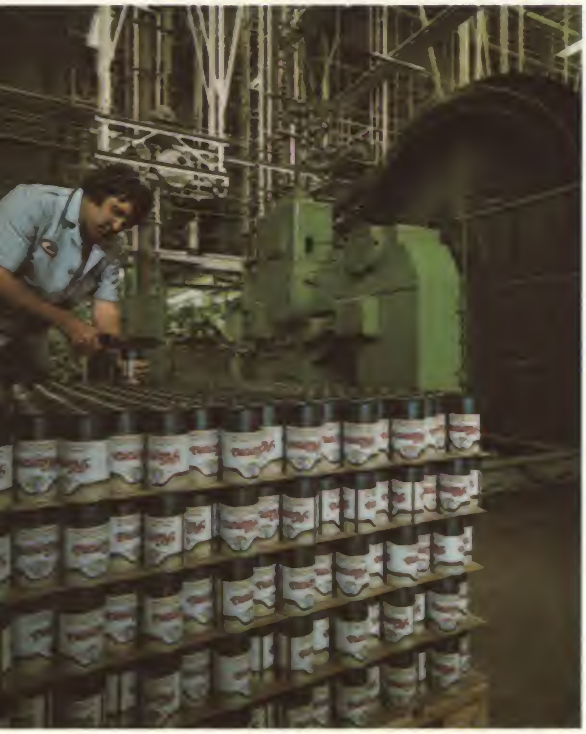


Production of green and clear bottles at new glass plant in Madera, California.

Filling line for Club Cold Duck at new sparkling wine plant in Madera, Calif.



Interior of new Lancers winery in Portugal.



Hamm's Beer cans in production at new can plant in St. Paul.

Gin distillation apparatus at new R&D Laboratory in Hartford.

In St. Paul, Minn. a new can plant, built as a cooperative venture with Continental Can Co., is now in full production, supplying the needs of the Theodore Hamm Company's brewery in St. Paul. This new supply source provides meaningful cost savings for Hamm's.

In Hartford, a new research laboratory with almost triple the previously available space is equipped with the most modern scientific instrumentation for food and beverage research. It enables the Corporate Research & Development Department to significantly expand its activities in such vital areas as new product development, product improvement, packaging, development of new food and drink recipes, systematic studies of competitive products, and development of more efficient production processes.

The photos on these pages illustrate some of the key aspects of Heublein's facilities improvement program.

HEUBLEIN INC.

CONSOLIDATED STATEMENT OF INCOME

Years ended June 30, 1971 and 1970

	1971	1970
Net sales	**$629,845,000**	$586,295,000
Cost of sales	**471,497,000**	439,595,000
	158,348,000	146,700,000
Expenses:		
Selling and advertising	**92,932,000**	88,159,000
Administrative and general	**18,609,000**	16,064,000
	111,541,000	104,223,000
	46,807,000	42,477,000
Other deductions (income):		
Interest expense	**5,641,000**	5,968,000
Interest income	**(348,000)**	(1,220,000)
Miscellaneous – net	**273,000**	(275,000)
	5,566,000	4,473,000
Income before provision for income taxes	**41,241,000**	38,004,000
Provision for income taxes:		
Federal	**18,752,000**	18,539,000
State	**2,281,000**	2,020,000
	21,033,000	20,559,000
Net income (Note 5)	**$ 20,208,000**	$ 17,445,000
Earnings per share (Notes 5 and 7):		
Common and common equivalent	**$1.65**	$1.45
Assuming full dilution	**$1.55**	$1.35

See accompanying notes.

HEUBLEIN INC.

CONSOLIDATED BALANCE SHEET
June 30, 1971 and 1970

ASSETS	1971	1970
Current assets:		
Cash	**$ 11,879,000**	$ 9,284,000
Accounts and notes receivable	**78,475,000**	67,000,000
Inventories, at lower of cost (first-in, first-out) or market:		
Finished products	**25,198,000**	19,402,000
Products in process	**2,170,000**	3,044,000
Bulk whiskey and wines	**45,688,000**	42,577,000
Raw materials	**10,599,000**	10,935,000
Total inventory	**83,655,000**	75,958,000
Prepaid expenses	**2,106,000**	2,936,000
Total current assets	**176,115,000**	155,178,000
Property, plant and equipment, at cost:		
Land and vineyards	**8,961,000**	9,323,000
Buildings	**72,564,000**	68,984,000
Machinery and equipment	**80,155,000**	72,675,000
Wine tanker	**6,974,000**	6,974,000
	168,654,000	157,956,000
Less accumulated depreciation – accelerated and straight-line methods	**94,175,000**	87,616,000
Net property, plant and equipment	**74,479,000**	70,340,000
Investments in affiliated companies (Note 1)	**2,479,000**	1,090,000
Trademarks and contracts, at cost less amortization	**1,837,000**	2,056,000
Cost in excess of net assets of purchased businesses, less amortization	**6,760,000**	7,153,000
Other assets	**5,728,000**	5,442,000
	$267,398,000	$241,259,000

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	1971	1970
Current liabilities:		
Notes payable	**$ 27,608,000**	$ 967,000
Current portion of long-term debt	**8,905,000**	8,876,000
Accounts payable	**16,121,000**	20,886,000
Accrued expenses	**14,706,000**	12,047,000
Taxes:		
Federal and state taxes on income (Note 2)	**10,190,000**	10,412,000
Other	**19,138,000**	16,500,000
Cash dividends payable	**2,706,000**	2,540,000
Total current liabilities	**99,374,000**	72,228,000
Long-term debt, due after one year (Note 3):		
5¾% convertible subordinated debentures	**50,000,000**	50,000,000
Other	**13,509,000**	22,828,000
	63,509,000	72,828,000
Stockholders' equity (Note 4):		
Preferred stock	**35,532,000**	45,347,000
Common stock	**5,755,000**	5,525,000
Paid-in surplus	**22,053,000**	13,732,000
Earned surplus	**41,175,000**	31,599,000
Total stockholders' equity	**104,515,000**	96,203,000
	$267,398,000	$241,259,000

See accompanying notes.

CONSOLIDATED STATEMENT OF PAID-IN SURPLUS

Years ended June 30, 1971 and 1970	1971	1970
Balance at beginning of year	**$13,732,000**	$10,631,000
Excess of option price over stated value of common stock issued on exercise of options (Note 4)	**1,401,000**	1,145,000
Excess of par value of 63,460 (22,675 in 1970) shares of 5% convertible preferred and stated value of 2,149 (2,766 in 1970) shares of Series A preferred and stated value of 72,888 (none in 1970) shares of Series B preferred over stated value of 401,793 (136,320 in 1970) shares of common stock issued upon conversion	**6,863,000**	2,227,000
Differences between cost and par or stated value of preferred stocks purchased	**57,000**	(13,000)
Cost in excess of market value of treasury shares used in acquisitions	—	(270,000)
Other	—	12,000
Balance at end of year	**$22,053,000**	$13,732,000

CONSOLIDATED STATEMENT OF EARNED SURPLUS

Years ended June 30, 1971 and 1970	1971	1970
Balance at beginning of year	**$31,599,000**	$24,117,000
Net income	**20,208,000**	17,445,000
Cash dividends declared:		
5% preferred stock	**(1,078,000)**	(1,377,000)
Common stock $.84 per share ($.79 in 1970)	**(9,554,000)**	(8,586,000)
Balance at end of year	**$41,175,000**	$31,599,000

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended June 30, 1971 and 1970

	1971	1970
SOURCES		
Operations:		
Net income	**$20,208,000**	$17,445,000
Depreciation and amortization charges not requiring funds	**7,965,000**	7,716,000
Funds provided from operations	**28,173,000**	25,161,000
Proceeds from exercise of common stock options (Note 4)	**1,430,000**	1,183,000
Book value of assets sold	**3,647,000**	1,510,000
Long-term borrowings	**110,000**	50,385,000
Market value of treasury stock used in acquisitions (Note 5)	—	5,614,000
Increase in common stock and paid-in surplus resulting from conversions and retirements of preferred stock	**7,121,000**	2,295,000
	$40,481,000	$86,148,000
USES		
Cash dividends	**$10,632,000**	$ 9,963,000
Purchase of treasury stock and partial redemptions of series preferred stock (Note 4)	**2,721,000**	4,522,000
Repayment of long-term debt	**9,429,000**	17,140,000
Additions to property, plant and equipment	**15,155,000**	13,100,000
Conversions of preferred stocks	**7,094,000**	2,295,000
Investment in affiliated companies (Note 1)	**1,389,000**	1,090,000
Additions to cost in excess of net assets of purchased businesses	—	113,000
Other	**270,000**	1,994,000
Increase (decrease) in working capital	**(6,209,000)**	35,931,000
	$40,481,000	$86,148,000
CHANGE IN WORKING CAPITAL CONSISTS OF:		
Increase (decrease) in current assets:		
Cash	**$ 2,595,000**	$ 2,732,000
Accounts and notes receivable	**11,475,000**	791,000
Inventory	**7,697,000**	11,164,000
Prepaid expenses	**(830,000)**	477,000
	20,937,000	15,164,000
Less increase (decrease) in current liabilities:		
Notes payable and current portion of long-term debt	**26,670,000**	(18,330,000)
Accounts payable and accrued expenses	**310,000**	(2,616,000)
Cash dividends	**166,000**	179,000
	27,146,000	(20,767,000)
Net increase (decrease) in working capital	**$ (6,209,000)**	$35,931,000

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Investment in affiliated companies

In fiscal year 1970, the Company, through a subsidiary, United Vintners, Inc. (United), acquired a 49% interest in a newly formed joint venture, Madera Glass Company (Madera), which will manufacture bottles for United under a long-term contract in a plant which was completed in June 1971. The holder of the 51% interest in Madera is supervising its operations.

In accordance with the terms of various agreements among Madera, its lenders and its stockholders, the stockholders of Madera have agreed to make advances, if necessary, in equal amounts, by means of subordinated loans, to maintain Madera's working capital at a minimum of $1,000,000. The 51% stockholder may limit its participation in such advances to $1,500,000. If additional advances are required and the 51% stockholder elects not to participate, then United is to make such advances at which time it will become sole owner and operator of Madera.

The Company has a 49% interest in a joint venture formed to construct and operate a winery in Portugal. This winery began full operations in May 1970. Under terms of a revolving credit agreement, the Company has guaranteed a $800,000 line of credit to the joint venture, of which $600,000 had been borrowed at June 30, 1971. The two members of the joint venture have also signed a letter of intent to form a related marketing joint venture in which the Company will own 51%.

The investment in these affiliated companies is carried at cost in 1970 and at equity in 1971, which approximates cost, in the accompanying consolidated financial statements.

Note 2 – Contingent tax liabilities

In February 1969, the Company completed the acquisition of a controlling interest (82%) in Heublein Allied Vintners, Inc. and its wholly-owned subsidiary, United. Because of certain contingent tax liabilities and contested property taxes and related expenses of United existing at the time of the merger, 300,000 shares of the Company's Series A convertible preferred stock were not issued at the time of the merger under the terms of a holdback agreement and a liability representing the stated value of such shares was provided. Such shares may be issued ratably under a formula if the settlement of the tax claims and related expenses amounts to less than the $3,000,000 amount originally set up as a tax liability. As of June 30, 1971 settlement of income and property taxes and related expenses totalling approximately $870,000 have been charged against the amount originally provided and have also reduced the potential maximum additional shares of the Company A Series convertible preferred stock issuable under the terms of the holdback agreement to 213,027 shares, of which 44,736 shares would be issuable to a wholly-owned subsidiary which was acquired in fiscal year 1970.

Note 3 – Long-term debt

Long-term debt due after one year was as follows:

	June 30	
	1971	1970
5¾% convertible subordinated debentures, due September 1, 1994	$50,000,000	$50,000,000
Other:		
Notes payable to bank, interest at ¼% above prime rate (prime rate 5½% at June 30, 1971). Payable in annual installments of $8,000,000 to March 31, 1973	$ 8,000,000	$16,000,000
5¼% mortgage note payable in annual installments of $750,000 to August 30, 1973 (re wine tanker)	1,500,000	2,250,000
Mortgage note payable, interest at ½% above prime rate, payable in annual installments of $1,000,000 beginning August 31, 1974 (re wine tanker)	3,000,000	3,000,000
Other	1,009,000	1,578,000
	$13,509,000	$22,828,000

The 5¾% subordinated debentures are convertible into common stock at approximately $42.25 per share (1,183,500 shares) and are subject to redemption through annual sinking fund payments beginning in 1980 of not less than 6% nor more than 12% of the principal amount of debentures outstanding on August 31, 1979.

The most restrictive terms of the long-term debt require the Company to maintain consolidated working capital of $35,000,000 and stockholders' equity of $70,000,000 and limit the purchase of the Company's capital stock and the payment of cash dividends. Consolidated earned surplus not so restricted at June 30, 1971 amounted to approximately $12,450,000.

Note 4 – Capital stock

A summary of capital stock follows:

	June 30 1971	June 30 1970
5% preferred – par value of $100 per share, 500,000 shares authorized, outstanding 100,244 shares (102,427 in 1970)	$10,024,000	$10,243,000
5% convertible preferred – par value $100 per share, 200,500 shares authorized, each share convertible into six shares of common stock, outstanding 107,990 shares (171,450 in 1970)	10,799,000	17,145,000
Series preferred stock – without par value, authorized 5,000,000 shares:		
Series A convertible, non dividend, stated value $10 per share, each share convertible into .10 share of common stock, outstanding 1,542,148 shares (1,544,297 in 1970)	11,081,000	13,581,000
Series B convertible, non dividend, stated value $10 per share, each share convertible into .2974 share of common stock, outstanding 362,817 shares (437,785 in 1970)	3,628,000	4,378,000
Total Preferred Stock	$35,532,000	$45,347,000
Common Stock – without par value, stated value $.50 per share, 20,000,000 shares authorized, issued 11,510.240 shares (11,050,977 in 1970)	$ 5,755,000	$ 5,525,000

Under sinking fund provisions, the Company is required to redeem 16,801 shares of the 5% preferred stock on December 30 in each year from 1971 to 1995 at $100 per share. Since 319,788 shares have been purchased and retired, no redemption is required before 1989. Both classes of 5% preferred stock are subject to redemption in whole or in part at the option of the Company at $105 per share and at $1 less per share each year after December 31, 1971 but not less than $100 per share after December 31, 1975.

Both the Series A and B convertible stock classes are redeemable at the option of the holder at the rate of ⅙ per year after November 1, 1969 for the Series A shares (of which $4,344,000 has been redeemed through June 30, 1971) and ⅕ per year after November 1, 1970 for the Series B shares (of which $21,000 has been redeemed through June 30, 1971). The Company has the option to redeem both classes in whole or in part for $10 per share beginning November 1, 1976, less any amounts theretofore paid.

The following table sets forth information pertaining to options to purchase common shares under qualified and restricted stock option plans:

	1971	1970
Outstanding options at July 1	436,875	452,936
Granted	43,500	100,500
Surrendered or forfeited	(4,085)	(40,834)
Exercised	(57,460)	(75,727)
Outstanding options at June 30	418,830	436,875
Prices of options exercised during the year	$12.78 to $41.94	$13.19 to $32.75
Average price per share	$24.88	$15.62
At June 30:		
Prices of outstanding options	$16.63 to $41.94	$12.78 to $41.94
Average price per share	$35.29	$33.65
Exercisable options	141,352	61,436
Options available for future grant	308,419	347,834

At June 30, 1971, common stock was reserved as follows:

	Shares
Conversion of outstanding:	
5¾% convertible subordinated debentures	1,183,500
5% convertible preferred stock	647,940
Series A convertible preferred stock	110,804
Series B convertible preferred stock	107,902
Stock options	727,249
	2,777,395

In addition, a maximum of 213,027 shares of Series A convertible preferred stock may be issued depending upon the outcome of certain contingent tax liabilities (see Note 2) and 21,303 common shares are reserved for conversion of these shares.

On July 8, 1971 the authorized common stock was increased to 25,000,000 shares.

Note 5 – Acquisitions

During the fiscal year 1970 the Company purchased for 149,005 shares of its common stock held in treasury, all of the outstanding common stock of Grape Factors, Inc. Included in Grape Factors' assets were 186,630 shares and 62,128 shares, respectively, of the Company's Series A and Series B convertible preferred stock (acquired by Grape Factors in connection with the Company's previous acquisition of a controlling interest in United Vintners, Inc.) and the right to receive additional shares of the Company's Series A preferred stock under the holdback agreement (see Note 2). The Company also purchased during fiscal year 1970 certain assets and the businesses of two of its distributors for $418,000 and 10,500 shares of its common stock held in treasury. The operations of these three acquisitions, which were not material, have been included since the respective dates of purchase.

In January, 1971, the Company acquired Regina Grape Products Company in exchange for 60,000 shares of common stock. This acquisition was accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements include Regina, which was not material, for the full period.

On July 8, 1971, the Company consummated a merger with Kentucky Fried Chicken Corporation into a subsidiary of the Company through an exchange of 5,489,477 shares of the Company's common stock for all of the then outstanding shares of common stock of Kentucky Fried Chicken Corporation. This acquisition will be accounted for as a pooling of interests in fiscal year 1972 and prior years' financial statements will be restated in subsequent reports to retroactively reflect inclusion of the consolidated financial statements of Kentucky Fried Chicken. Had the merger been completed before the 1971 fiscal year-end, the accompanying consolidated statement of income would have been restated to reflect combined operations as follows:

	Amounts in thousands		Per common and common equivalent share	
	1971	1970	1971	1970
Net sales, franchise fees, etc.	$830,322	$783,198		
Income from continuing operations after income taxes	$ 30,061	$ 31,538	$1.70	$1.82
Loss from discontinued operations, less tax effect	(1,606)	(1,124)	(.10)	(.07)
Extraordinary items	(6,865)	283	(.40)	.02
Net income	$ 21,590	$ 30,697	$1.20	$1.77
Earnings per share assuming full dilution			$1.18	$1.66

For further information, including a description of the qualification in the report of the independent public accountants of Kentucky Fried Chicken, see "Supplemental Financial Information Concerning Kentucky Fried Chicken Corporation" contained elsewhere herein.

Note 6 – Pension Plans

Pension expense including amortization of prior years' service cost under plans covering substantially all employees amounted to $2,076,000 in 1971 and $1,974,000 in 1970. The Company's policy is to fund the amounts accrued.

Note 7 – Per share data

Earnings per common share and common share equivalent are based upon the Company's average number of shares of common stock outstanding during the year and the number of common shares issuable on the exercise of dilutive stock options after reduction for common shares assumed to have been purchased with the proceeds and on conversion of the Series B preferred shares. Earnings per common share assuming full dilution were determined on the assumption that all outstanding convertible debentures and outstanding preferred stocks had been converted and that outstanding dilutive stock options had been exercised after reduction for common shares assumed to have been purchased with the proceeds.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Heublein, Inc.

We have examined the accompanying consolidated balance sheet of Heublein, Inc. at June 30, 1971 and 1970 and the related consolidated statements of income, paid-in surplus, earned surplus and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have received the report of other public accountants with respect to their examination of the consolidated financial statements of Heublein Allied Vintners, Inc. and subsidiary, whose sales represent approximately 23% of the consolidated sales during the period and whose total assets represent 35% of total consolidated assets at June 30, 1971 and 1970.

In our opinion, based upon our examination and the report of other public accountants referred to above, the statements mentioned above present fairly the consolidated financial position of Heublein, Inc. at June 30, 1971 and 1970, and consolidated results of its operations and the changes in its consolidated financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY

New York, N.Y.
July 16, 1971

Supplementary financial information concerning Kentucky Fried Chicken Corporation

The following supplementary information summarizes certain consolidated financial data of Kentucky Fried Chicken Corporation which became a wholly-owned subsidiary of Heublein, Inc. on July 8, 1971 and is not included in the foregoing consolidated financial statements of Heublein, Inc.

CONDENSED BALANCE SHEET AT JUNE 30, 1971

(In thousands of dollars)

ASSETS

Current assets:	
Cash	$ 12,628
Notes and accounts receivable	14,857
Inventories	7,831
Prepaid and other	1,733
	37,049
Property and equipment, at cost less $13,428 accumulated depreciation	66,985
Cost in excess of net assets of acquired businesses, franchises and other intangibles	13,154
Other assets	15,240
	$132,428

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Notes and current portion of long-term debt payable	$ 12,458
Accounts payable and other accrued liabilities	19,284
Reserve for discontinued operations – current portion	3,020
	34,762
Long-term debt due after one year	33,953
Other long-term liability	900
Reserve for discontinued operations	5,876
Deferred income	974
Stockholders' equity:	
Common stock, 10,357,505 shares outstanding	10,357
Paid-in surplus	12,733
Earned surplus	32,873
	55,963
	$132,428

CONDENSED STATEMENT OF OPERATIONS

For year ended June 30, 1971 (In thousands of dollars)

Net sales from continuing operations	$186,752
Franchise fees and other operating income	13,725
	200,477
Cost of sales, selling, general and administrative expenses	176,318
Interest expense	2,196
Other income – net	231
	21,732
Provision for federal and state income taxes	11,879
Income from continuing operations before extraordinary charges	9,853
Loss on discontinued operations – net of tax (Note a)	1,606
Income before extraordinary charges	8,247
Extraordinary charges – provision for loss on disposition of discontinued operations, less $6,500,000, related income taxes and write-off of $365,000 of related intangibles (Note a)	6,865
Net income	$ 1,382

Notes:

(a) In February 1971, Kentucky Fried Chicken's management decided to franchise all domestically-owned fish and chips outlets and franchise, discontinue or otherwise divest itself of all company-owned roast beef outlets. In June 1971 the management decided to divest the motor hotel operations. Accordingly, operations of the outlets prior to February and of the motor hotels for the entire year have been shown separately in the accompanying condensed statement of operations and subsequent operations prior to divestitures are being charged against the reserve provided for the cost of divestitures.

At June 30, 1971 a number of lawsuits were pending against KFC involving claims which, if decided adversely to KFC, could have a material effect on its financial statements. Based on advice of counsel, KFC's management believes that final settlement will not materially affect KFC's financial statements.

KFC's independent public accountants qualified their opinion on the consolidated financial statements with respect to the adequacy of the provision for losses to be incurred on disposition of discontinued operations and to any adjustments which may arise from settlement of litigation referred to above.

(b) As a result of the merger with Heublein, Inc., employees of KFC as of June 30, 1971 had in effect outstanding options to purchase 73,444 shares of Heublein's common stock (of which options for 26,543 shares are exercisable) at prices ranging from $27.13 to $100.00. Also, under prior acquisition agreements, a maximum of 85,065 shares of Heublein common stock may be issued based on future earnings and market prices.

HEUBLEIN INC.

COMPARISON WITH PRIOR YEARS

Dollars in thousands except per share statistics

FOR THE YEAR:	1971	1970	1969	1968	1967
Net sales	**$629,845**	$586,295	$523,799	$487,767	$458,247
Net income	**20,208**	17,445	16,575	15,526	15,639
Net income as a percent of sales	**3.21%**	2.98%	3.16%	3.18%	3.41%
Taxes of all kinds	**272,755**	265,723	243,192	217,156	201,127
Dividends:					
Preferred requirements	**1,078**	1,377	2,733	3,026	3,043
Common	**9,554**	8,586	7,774	7,012	5,899
Earnings retained in the business	**9,576**	7,482	6,068	5,488	6,697
Depreciation	**7,545**	7,262	6,944	7,845	9,027
Capital expenditures	**14,941**	13,100	10,744	8,655	9,885
Per common share:					
Net income – per common share and common equivalent share	**1.65**	1.45	1.26	1.14	1.15
Dividends declared	**.84**	.79	.75	.68	.58
Income taxes	**1.81**	1.85	1.87	1.53	1.41
All taxes	**23.52**	23.91	22.16	19.81	18.46
AT YEAR END:					
Net fixed assets	**74,479**	70,340	65,964	63,306	63,372
Working capital	**76,741**	82,950	47,019	43,129	36,268
Current asset ratio	**1.8 to 1**	2.1 to 1	1.5 to 1	1.5 to 1	1.5 to 1
Return on Stockholders' Equity	**19.3%**	18.1%	19.2%	14.1%	14.9%
Number:					
Employees	**4,998**	4,983	4,934	4,801	4,809
Common shareholders	**16,702**	16,323	15,953	14,436	13,652
Common shares and common equivalent shares	**11,597,429**	11,111,723	10,973,640	10,959,390	10,896,376
Preferred shares – $100 par value	**208,234**	273,877	297,892	603,227	607,354
Preferred shares – $10 stated value	**1,904,965**	1,982,082	2,233,606	2,234,164	2,234,164

The above statistical summary includes, in all years, amounts applicable to United Vintners and Regina Grape Products Company which were acquired in the fiscal years 1969 and 1971, respectively, in transactions treated for accounting purposes as poolings of interests.

HEUBLEIN INC.

DIRECTORS

Dewalt H. Ankeny

John Y. Brown, Jr.*

Christopher W. Carriuolo

Peter M. Fraser*

Edward H. Hamm

Leon W. Harman

Ralph A. Hart*

John G. Martin*

Arthur A. Milligan

William H. Mortensen*

Frances Heublein O'Dell

Richard M. Oster

Barry M. Rowles

Lester E. Shippee*

B.C. Solari

Robert L. Trescher*

Stuart D. Watson*

William T. Young

*Members of Executive Committee

CORPORATE OFFICERS

Stuart D. Watson
President and Chief Executive Officer

Christopher W. Carriuolo
Group Vice President
President
Smirnoff Beverage & Import Co.
Chairman
Theodore Hamm Company

Paul R. Dohl
Group Vice President
President
Heublein International, Ltd.

Barry M. Rowles
Group Vice President
President
Kentucky Fried Chicken Corp.

B.C. Solari
Senior Vice President
Chairman
United Vintners, Inc.

Richard M. Oster
Senior Vice President
President
United Vintners, Inc.

Edward L. Hennessy, Jr.
Senior Vice President
Administration and Finance

John R. Bifone
Vice President
Management Information Systems

Alan R. Gruber
Vice President
Corporate Development

Joseph M. McGarry
Vice President
Communications and
Public Affairs

John M. Tyson, Jr.
Vice President
General Manager
Consumer Products Division

Kurt E. Volckmar
Vice President
Executive Vice President
Heublein International, Ltd.

George J. Caspar
Secretary and General Counsel

John J. Moran
Treasurer

PRINCIPAL OFFICES AND PLANTS

Corporate Headquarters
330 New Park Avenue, Hartford, Conn. 06101 Code 203 233-7531

Consumer Products Division
430 New Park Avenue, Hartford, Conn. 06101 Code 203 233-7531

Theodore Hamm Company
720 Payne Avenue, St. Paul, Minn. 55101 Code 612 776-1561

Heublein International, Ltd., Headquarters
430 New Park Avenue, Hartford, Conn. 06101 Code 203 233-7531

Kentucky Fried Chicken Corp. Headquarters
1441 Gardiner Lane, Louisville, Ky. 40213 Code 502 459-8600

Smirnoff Beverage and Import Co. Headquarters
330 New Park Avenue, Hartford, Conn. 06101 Code 203 233-7531

United Vintners, Inc. Headquarters
601 Fourth St., San Francisco, Calif. 94107 Code 415 421-3213

Beaulieu Vineyard
57 Post St., San Francisco, Calif. 04104 Code 415 392-0157

ANNUAL SHAREHOLDERS' MEETING

The annual meeting of shareholders of Heublein, Inc., will be held at 10 a.m., Thursday, October 21, 1971, in the Plaza Room of the Hotel Sonesta, Constitution Plaza, Hartford, Conn.

Transfer Agents

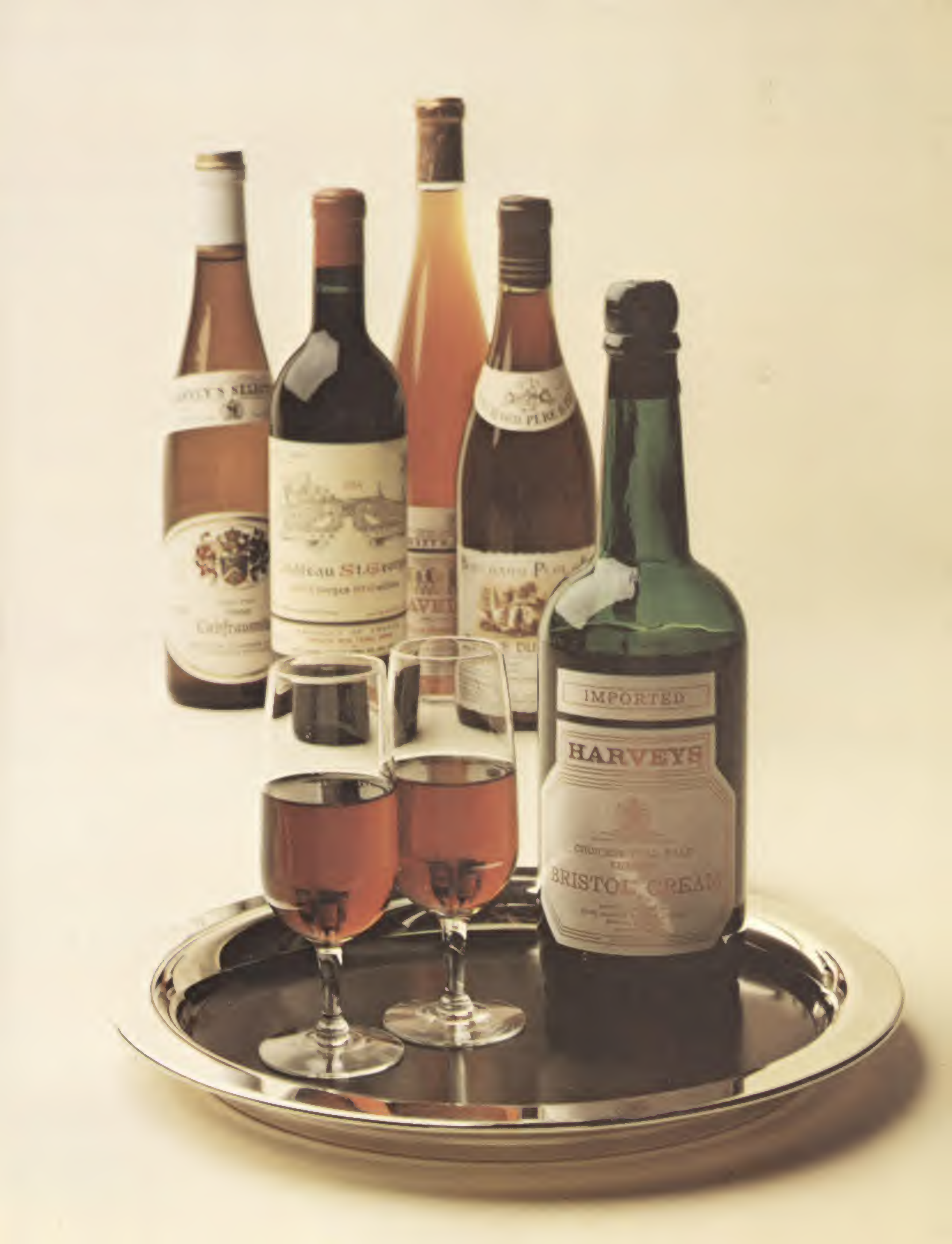
The Bank of New York
48 Wall Street
New York, New York 10015

Bank of America, N.T. & S.A.
55 Hawthorne Street
San Francisco, California 94105

Registrars

Morgan Guaranty Trust Co. of New York
23 Wall Street
New York, New York 10015

Wells Fargo Bank, N.A.
464 California Street
San Francisco, California 94120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HARVEYS